

TOWN OF KANARRAVILLE
FINANCIAL STATEMENTS
(UNAUDITED)
YEAR ENDED JUNE 30, 2005



KEMP BURDICK
KEMP BURDICK HINTON & HALL L.C.
CPA'S & ADVISORS

TOWN OF KANARRAVILLE

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**KEMP BURDICK****KEMP BURDICK HINTON & HALL L.C.****CPA'S & ADVISORS**

Certified Public Accountants' Report

The Honorable Mayor and
Town Council
Kanarraville, Utah

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have reviewed the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Kanarraville as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Kanarraville.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis are not a required part of the basic financial statement but is supplementary information required by the Governmental Accounting Standings Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the management's discussion and analysis.

KEMP, BURDICK, HINTON & HALL, L.C.
December 22, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Kanarraville (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$878,993 at the close of the fiscal year.
- Total net assets increased by \$236,338.
- Total revenues from all sources were \$404,375 and the total cost of all Town programs was \$168,036.
- Total revenue received in the General Fund was \$48,702 more than the final budget and expenditures were \$40,134 more than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$49,465 or 39% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town. The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, Highways and streets, cemetery, recreation. Property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town currently only has one proprietary activities fund. It is the water fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$878,993 as of June 30, 2005 as shown on the following condensed statement of net assets.

	Governmental activities		Business-type activities	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Current and other assets	\$ 115,094	\$ 144,183	\$ 257,078	\$ 197,853
Capital assets	100,652	58,144	928,772	450,621
Total assets	215,746	202,327	1,185,850	648,474
Long-term liabilities outstanding	-	-	506,187	193,166
Other liabilities	7,947	1,094	8,469	13,886
Total liabilities	7,947	1,094	514,656	207,052
Net assets:				
Invested in capital assets, net				
of related debt	100,652	58,144	(44,556)	257,455
Restricted	57,682	48,602	6,364	4,319
Unrestricted	49,465	94,487	709,386	179,648
Total net assets	\$ 207,799	\$ 201,233	\$ 671,194	\$ 441,422

Governmental Activities

The cost of all Governmental activities this year was \$82,035. \$7,237 of this cost was paid for by those who directly benefited from the programs, \$38,862 was subsidized by grants received from other governmental organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$46,099. General revenues, including taxes and investment earnings totaled \$42,503.

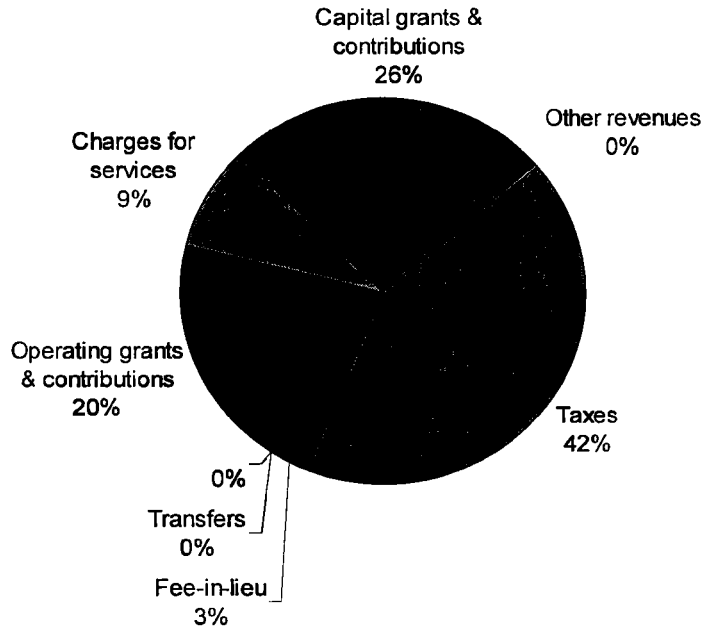
The Town's programs include: General Government, Highways and Streets, Recreation, Public Safety, and Cemetery. Each programs' net cost (total cost less revenues generated by the activities)

is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

	Governmental activities		Business-type activities	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Revenues:				
Program revenues:				
Charges for services	\$ 7,237	\$ 5,361	\$ 110,665	\$ 110,143
Operating grants and contributions	16,619	20,545	-	-
Capital grants and contributions	22,243	9,968	200,000	29,627
General revenues:				
Taxes	35,841	32,696	-	-
Fee-in-lieu	2,708	2,622	-	-
Investment earnings	188	128	5,108	1,348
Telecom license fee	3,766	-	-	-
Transfers	-	27,100		
Total revenues	<u>88,602</u>	<u>98,420</u>	<u>315,773</u>	<u>141,118</u>
Expenses:				
General government	58,545	38,189	-	-
Public safety	10,146	13,994	-	-
Highways and streets	6,850	18,113	-	-
Recreation	5,288	8,547	-	-
Cemetery	1,206	275	-	-
Interest on long-term debt	-	-	11,538	8,097
Water and garbage	-	-	74,463	69,948
Transfers	-	-	-	27,100
Total expenses	<u>82,035</u>	<u>79,118</u>	<u>86,001</u>	<u>105,145</u>
Increase in net assets	6,567	19,302	229,772	35,973
Net assets, beginning	201,232	181,931	441,422	405,449
Net assets, ending	<u>\$ 207,799</u>	<u>\$ 201,233</u>	<u>\$ 671,194</u>	<u>\$ 441,422</u>

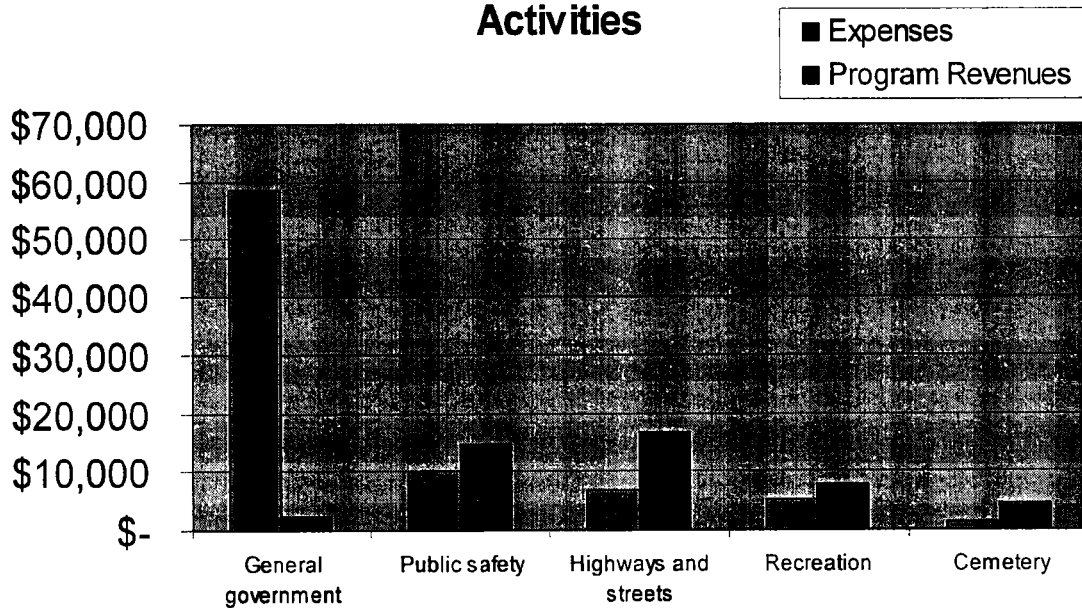
Total resources available during the year to finance governmental operations were \$289,835 consisting of Net assets at July 1, 2004 of \$201,232, program revenues of \$46,099 and General Revenues of \$42,503. Total Governmental Activities expenses during the year were \$82,035; thus Governmental Net Assets were increased by \$6,567 to \$207,799.

Revenue by Source - Governmental Activities



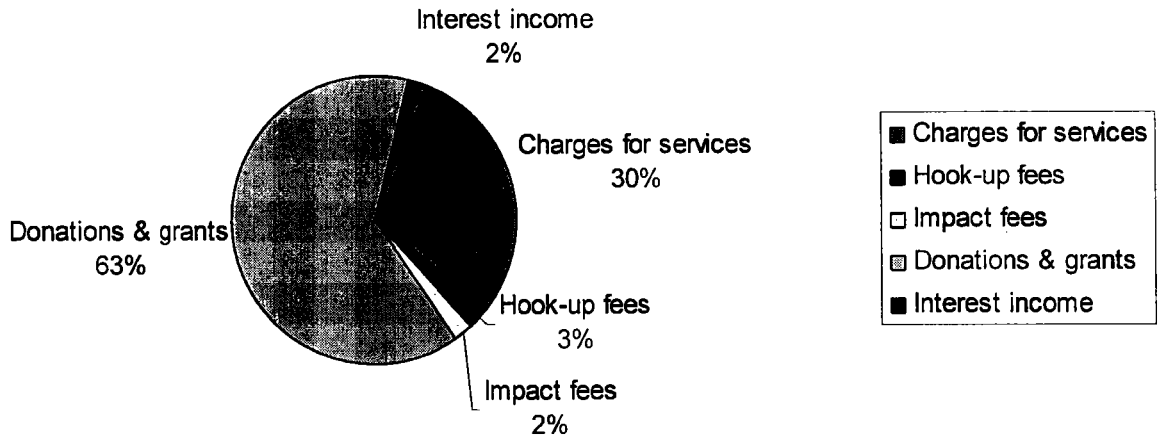
The following graphs compare program expenses to program revenues for this year and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities

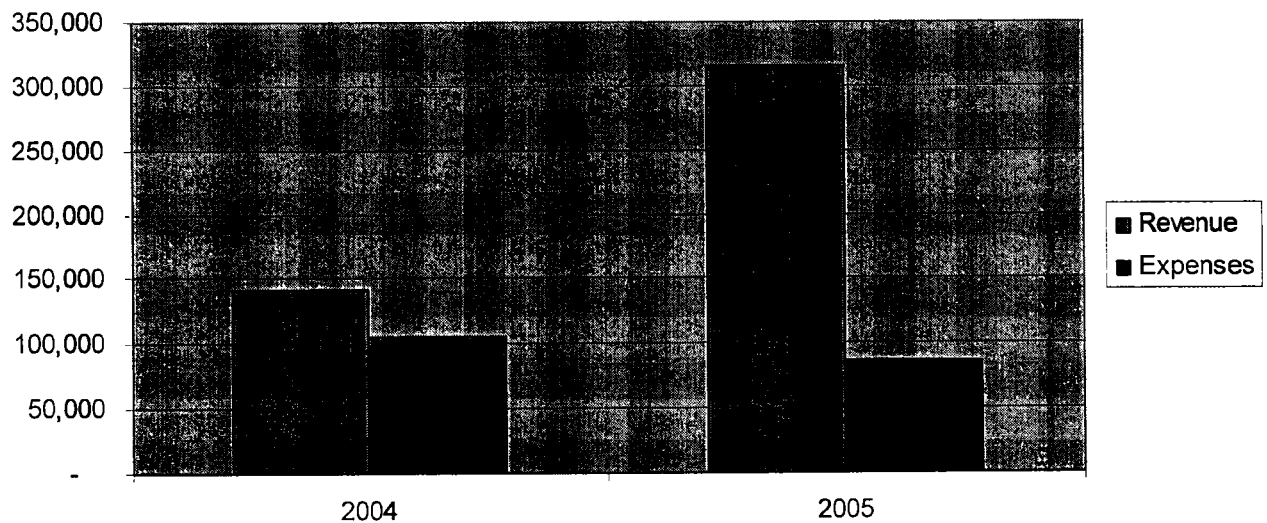


The following graphs provide a breakdown of current year proprietary revenue by source, and a two year comparison of revenue and expenses.

Revenues by Source - Current Year



Comparison of Revenues & Expenses by Year



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$40,134 less than actual expenditures. Actual revenues were greater than the final budget by \$48,702 mainly due to general sales and use taxes, Class "C" Road revenue and Grants. No budget amendments were made during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. At the end of fiscal year 2005, net capital assets of the government activities totaled \$100,652 and net capital assets of the business-type activities totaled \$447,631. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At the end of fiscal year 2004, the Town's total government and proprietary debt outstanding was \$0 and \$506,187 respectively. During the fiscal year, the Town's debt increased by \$313,020 (See note 7 to the financial statement.)

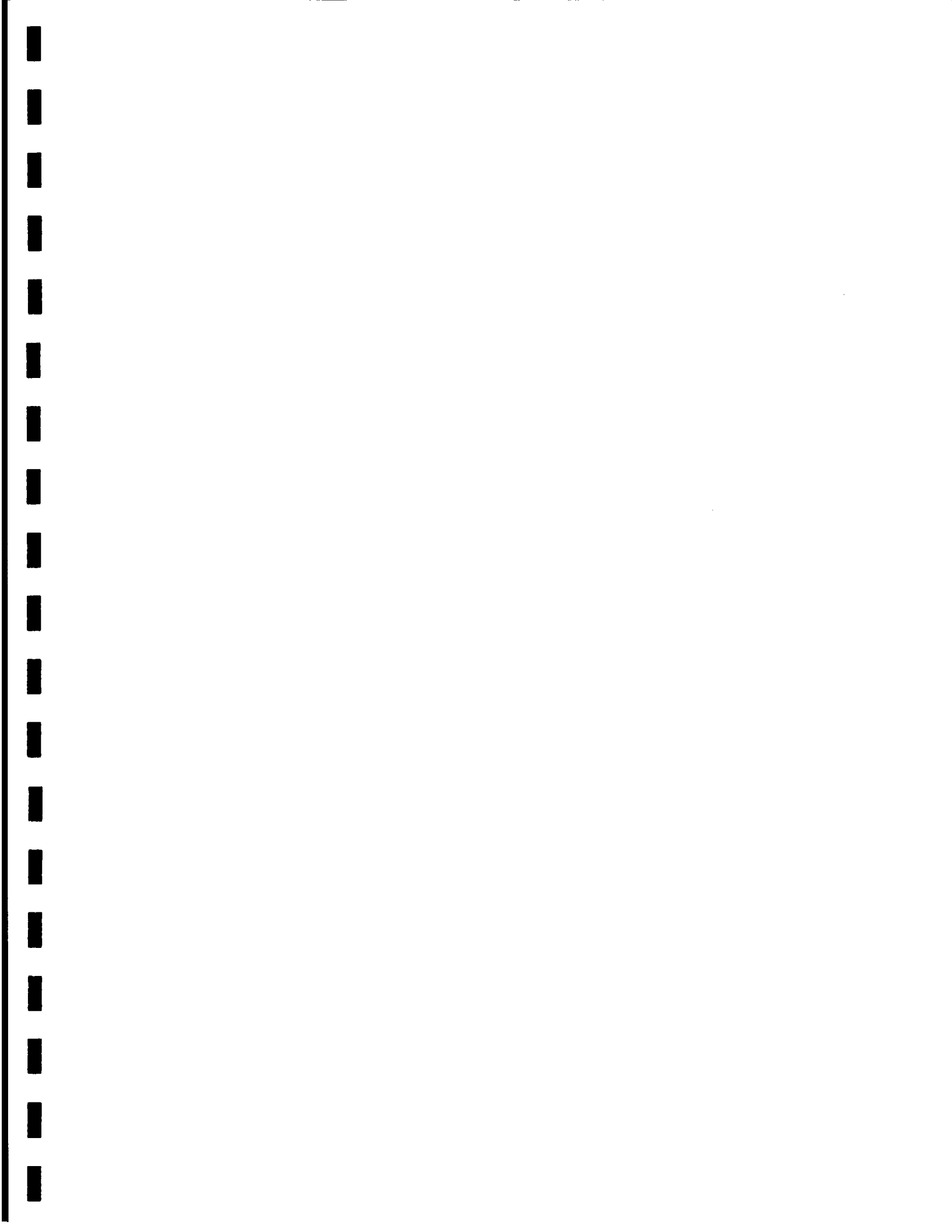
NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2005/2006, the Town Board and management estimated the budget for operating revenues and expenditures will be similar to this year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Ence, Town Clerk of the Town of Kanarrville, P.O. Box 420148, Kanarrville, UT, 84742 or call 435-867-1852.

BASIC FINANCIAL STATEMENTS



TOWN OF KANARRAVILLE
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 39,007	\$ 243,356	\$ 282,363
Receivables (net of allowance)	4,433	9,063	13,496
Internal balances	11,987	(11,987)	-
Prepaid expenses	1,985	-	1,985
Deferred charges	-	10,282	10,282
Temporarily restricted assets:			-
Cash and cash equivalents	57,682	6,364	64,046
Capital assets (net of accumulated depreciation):			-
Land	10,500	-	10,500
Buildings	6,743	-	6,743
Improvements	59,471	-	59,471
Equipment	18,688	9,000	27,688
Vehicles	5,250	-	5,250
Distribution system	-	438,631	438,631
Construction in progress	-	481,141	481,141
Total assets	<u>215,746</u>	<u>1,185,850</u>	<u>1,401,596</u>
Liabilities			
Accounts payable and other current liabilities	7,947	428	8,375
Interest payable	-	8,041	8,041
Noncurrent liabilities:			
Due within one year	-	14,000	14,000
Due in more than one year	-	492,187	492,187
Total liabilities	<u>7,947</u>	<u>514,656</u>	<u>522,603</u>
Net Assets			
Invested in capital assets, net of related debt	100,652	(44,556)	56,096
Restricted for:			
Debt service	-	6,364	6,364
Cemetery	17,639	-	17,639
Class C roads	40,043	-	40,043
Other purposes	-	-	-
Unrestricted	49,465	709,386	758,851
Total Net Assets	<u>\$ 207,799</u>	<u>\$ 671,194</u>	<u>\$ 878,993</u>

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Statement of Activities
Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 58,545	\$ 2,355	\$ -	\$ -	\$ (56,190)	\$ -	\$ (56,190)
Public safety	10,146	-	97	14,490	4,441	-	4,441
Highways and streets	6,850	-	16,522	-	9,672	-	9,672
Recreation	5,288	182	-	7,753	2,647	-	2,647
Cemetery	1,206	4,700	-	-	3,494	-	3,494
Total governmental activities	82,035	7,237	16,619	22,243	(35,936)	-	(35,936)
Business-type activities:							
Utility Fund	86,001	110,665	-	200,000	-	224,664	224,664
Total business-type activities	86,001	110,665	-	200,000	-	224,664	224,664
General Revenues:							
Taxes:							
Property taxes levied for general purposes					8,612	-	8,612
Sales and use taxes					27,229	-	27,229
Fee-in-lieu					2,708	-	2,708
Telecom license fee					3,766	-	-
Unrestricted investment earnings					188	5,108	5,296
Transfers					-	-	-
Total general revenues & transfers					42,503	5,108	43,845
Change in net assets					6,567	229,772	236,339
Net assets - beginning					201,232	441,422	642,654
Net assets - ending					\$ 207,799	\$ 671,194	\$ 878,993

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Balance Sheet
Governmental Fund
June 30, 2005

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets:		
Cash	\$ 39,007	\$ 39,007
Intergovernmental Receivables	4,433	4,433
Prepaid Expenses	1,985	1,985
Restricted Cash	57,682	57,682
Due From Other Funds	11,987	11,987
Total Assets	<u><u>\$ 115,094</u></u>	<u><u>\$ 115,094</u></u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable	\$ 7,947	\$ 7,947
Total Liabilities	<u>7,947</u>	<u>7,947</u>
Fund Balances:		
Reserved	57,682	57,682
Unreserved	49,465	49,465
Total Fund Balances	<u>107,147</u>	<u>107,147</u>
Total liabilities and fund balance	<u><u>\$ 115,094</u></u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>100,652</u>
Net assets of governmental activities	<u><u>\$ 207,799</u></u>

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
Year Ended June 30, 2005

	<u>General Fund</u>
Revenues:	
Property Taxes	\$ 8,612
Fee-in-lieu taxes	2,708
General sales & use taxes	27,229
Telecom license fee	3,766
Grants	14,490
Licenses & permits	2,026
Class "C" road revenues	16,522
State liquor allotment	97
Cemetery	4,700
Recreation fees	182
Interest income	188
Miscellaneous charges & services	329
Donations and other	<u>7,753</u>
Total Revenues	<u>88,602</u>
Expenditures:	
General government	68,323
Public safety	26,989
Highways and streets	6,550
Recreation	17,091
Cemetery	<u>5,591</u>
Total Expenditures	<u>124,544</u>
Excess of Revenues Over (Under) Expenditures	(35,942)
Other financing sources (uses):	
Operating transfer from Water fund	<u>-</u>
Net change in fund balances	(35,942)
Fund Balance - Beginning of Year	<u>143,089</u>
Fund Balance - End of Year	<u><u>\$ 107,147</u></u>

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Fund
To the Statement of Activities
Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ (35,942)
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Governmental funds report capital outlays as expenditures. However, in the statement
of activities, the costs of those assets is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which depreciation
exceeded capital outlays in the current period.

42,509

Change in net assets of governmental activities	<u><u>\$ 6,567</u></u>
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See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Governmental Fund
Year Ended June 30, 2005

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Budget Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Property Taxes	\$ 10,000	\$ 10,000	\$ 8,612	\$ (1,388)
Fee-in-lieu taxes	800	800	2,708	1,908
General sales & use taxes	16,000	16,000	27,229	11,229
Telecom license fee	-	-	3,766	3,766
Grants	-	-	14,490	14,490
Licenses & permits	2,025	2,025	2,026	1
Class "C" road revenues	6,000	6,000	16,522	10,522
State liquor allotment	75	75	97	22
Cemetery	2,000	2,000	4,700	2,700
Recreation fees	-	-	182	182
Interest income	-	-	188	188
Miscellaneous charges & services	1,000	1,000	329	(671)
Donations and other	2,000	2,000	7,753	5,753
Total Revenues	39,900	39,900	88,602	48,702
Expenditures:				
General government	41,410	41,410	68,323	(26,913)
Public safety	13,000	13,000	26,989	(13,989)
Highways and streets	18,000	18,000	6,550	11,450
Parks and recreation	11,000	11,000	17,091	(6,091)
Cemetery	1,000	1,000	5,591	(4,591)
Total Expenditures	84,410	84,410	124,544	(40,134)
Excess of Revenues Over (Under) Expenditures	(44,510)	(44,510)	(35,942)	8,568
Other financing sources (uses):				
Transfer from Water fund	-	-	-	-
Net change in fund balance	(44,510)	(44,510)	(35,942)	8,568
Fund Balance - Beginning of Year	143,089	143,089	143,089	-
Fund Balance - End of Year	\$ 98,579	\$ 98,579	\$ 107,147	\$ 8,568

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Water Fund</u>
Assets:	
Current Assets:	
Cash	\$ 243,356
Receivables	9,063
Total current assets	<u>252,419</u>
Noncurrent Assets:	
Restricted Cash	6,364
Construction in Progress	481,141
Property, Plant & Equipment	598,701
Accumulated Depreciation	(151,070)
Bond Issue Costs	11,117
Accumulated Amortization	(835)
Total noncurrent assets	<u>945,418</u>
	<u>1,197,837</u>
Total Assets	
Liabilities:	
Cu: Accounts Payable	428
Interest Payable	8,041
Due to Other Funds	11,987
Due to Other Governments	-
Current portion of long-term debt	14,000
Total Current liabilities	<u>34,456</u>
No Bonds Payable	492,187
Total noncurrent liabilities	<u>492,187</u>
Total Liabilities	<u>526,643</u>
Ne Invested in capital assets, net of related debt	(44,556)
Restricted for debt service	6,364
Unrestricted	709,386
Total Net Assets	<u>\$ 671,194</u>

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2005

	Water Fund
Operating Revenues:	
Water sales	\$ 72,630
Garbage & landfill fees	22,035
Total Operating Revenues	<u>94,665</u>
Operating Expenses:	
Salaries & benefits	10,037
General administration	3,991
Professional services	4,354
Repairs & maintenance	1,935
Garbage pickup	22,842
Supplies	5,421
Utilities	12,290
Depreciation	12,989
Amortization	604
Total Operating Expenses	<u>74,463</u>
Operating Income	<u>20,202</u>
Non-operating revenue/(expenses):	
Hook-up fees	9,000
Impact fees	7,000
State Grant	200,000
Interest expense	(11,538)
Interest income	5,108
Total Non-Operating Income (Loss)	<u>209,570</u>
Net income before transfers	229,772
Transfer (to) from other funds	<u>-</u>
Change in net assets	229,772
Net assets, Beginning of Year	<u>441,422</u>
Net assets, End of Year	<u><u>\$ 671,194</u></u>

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2005

	<u>Water Fund</u>
Cash flows from operating activities:	
Cash received from customers, service fees	\$ 103,399
Cash paid to suppliers	(50,793)
Cash paid to employees	(10,037)
	<u>42,569</u>
Cash flows from noncapital financing activities:	
Hookup fees	9,000
Impact fees	7,000
Payments (to)/from General Fund	(10,915)
	<u>5,085</u>
Cash flows from capital and related financing activities:	
Proceeds from long-term debt	327,474
Payments on long-term debt	(14,449)
Proceeds from State Grant	200,000
Interest paid on long-term debt	(7,498)
Bond issue costs	(8,395)
Due to Other Governments	(9,500)
Construction in progress	(481,141)
Purchase of fixed assets	(10,000)
	<u>(3,509)</u>
Cash flows from investing activities:	
Interest on investments	5,108
	<u>5,108</u>
Net increase/(decrease) in cash and cash equivalents	49,253
Cash and cash equivalents, beginning of year	<u>200,467</u>
Cash and cash equivalents, end of year	<u><u>\$ 249,720</u></u>
Reconciliation of operating income to cash flows	
from operating activities:	
Net operating income	\$ 20,202
Adjustments to reconcile net income to net cash	
provided by operating activities:	
Depreciation/amortization	13,593
Changes in operating assets and liabilities:	
(Increase)/decrease in receivables	8,734
Increase/(decrease) in accounts payable	40
	<u>42,569</u>
Cash flows from operating activities	<u><u>\$ 42,569</u></u>

See accompanying notes and accountants' report

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies

General

The Town of Kanarraville (Town) is incorporated under the laws of the State of Utah. The Town operates under a council form of government and provides the following services: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1998, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Reporting Entity

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

The accompanying financial statements include all activities of the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The **General Fund** is used to account for all financial resources applicable to the operations of the Town. It is the only major governmental fund of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Business-type fund financial statements are reported, using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

Business-type funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Town is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or where the Town has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

The **Water Fund** is used to account for the provision of water and garbage services to the residents of the Town. It is the Town's only major business-type fund.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Cash and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

All trade accounts receivable are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Fixed assets in the proprietary funds are carried at cost. Depreciation is computed using the straight-line method over the assets estimated useful lives.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Capital assets in governmental funds, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Streets & improvements	20 years
Automobiles and trucks	5-7 years
Machinery and equipment	7 years

Accrued Benefits

Accumulated unpaid vacation and other employee benefit amounts are accrued as an expenditure at year end only when the Town has such a liability.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Net Assets

Net assets are the difference between assets and liabilities. Net assets invest in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors.

Use of Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. The differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital related items:

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 233,862
Accumulated depreciation	<u>(133,210)</u>
Net adjustment to increase fund balance total	
governmental funds to arrive at net assets	
of governmental activities	<u><u>\$ 100,652</u></u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference of \$42,509 are as follows:

Capital Outlay	\$ 49,941
Depreciation Expense	<u>(7,432)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 42,509</u></u>

NOTE 3. Stewardship Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year, there were no amendments to the budget.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 3. Stewardship Compliance and Accountability, Continued

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Taxes

Property taxes are collected by the Iron County Treasurer and remitted to the Town in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2005, \$33,699 of the City's bank balance of \$211,315 was exposed to custodial credit risk because it was uninsured and uncollateralized.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments, Continued

As of June 30, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Local Government Pooled Investment Fund	\$ 64,502	\$ 64,502	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 64,502</u>	<u>\$ 64,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2005 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Local Government Pooled Investment Fund	\$ 64,502	\$ -	\$ -	\$ -	\$ 64,502
Total Fair Value	<u>\$ 64,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,502</u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 5. Receivables

Receivables shown in the balance sheet of the utility fund are amounts due from residents for water and garbage disposal service.

Management considers all receivables to be collectable. Therefore, an allowance for doubtful accounts is not presented and is not considered material.

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 6. Capital Assets

The following table summarizes the changes to the fixed assets during the year ended June 30, 2005:

Governmental Activities:	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets, not being depreciated:				
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Total capital assets, not being depreciated	10,500	-	-	10,500
Capital assets, being depreciated:				
Buildings	106,475	-	-	106,475
Improvements	47,852	26,636	-	74,488
Machinery & Equipment	8,092	18,306	-	26,398
Vehicles	11,000	5,000	-	16,000
Total capital assets, being depreciated	173,419	49,942	-	223,361
Less accumulated depreciation for:				
Buildings	(98,891)	(841)	-	(99,732)
Improvements	(11,897)	(3,120)	-	(15,017)
Machinery & Equipment	(5,037)	(2,673)	-	(7,710)
Vehicles	(9,950)	(800)	-	(10,750)
Total accumulated depreciation	(125,775)	(7,434)	-	(133,209)
Total capital assets, being depreciated, net	47,644	42,508	-	90,152
Governmental activities capital assets, net	\$ 58,144	\$ 42,508	\$ -	\$ 100,652

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:	
General government	\$ 1,220
Cemetery	300
Public safety	2,627
Highways and streets	300
Recreation	2,987
Total depreciation expense - governmental activities	<u>\$ 7,434</u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 6. Capital Assets, Continued

Business Type Activities:	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets, being depreciated:				
Machinery and equipment	\$ 3,632	\$ 10,000	\$ -	\$ 13,632
Water system & improvements	585,069	-	-	585,069
Total capital assets, being depreciated	<u>588,701</u>	<u>10,000</u>	<u>-</u>	<u>598,701</u>
Less accumulated depreciation for:				
Machinery and equipment	(3,631)	(1,000)	-	(4,631)
Water system & improvements	(134,449)	(11,990)	-	(146,439)
Total accumulated depreciation	<u>(138,080)</u>	<u>(12,990)</u>	<u>-</u>	<u>(151,070)</u>
Total capital assets, being depreciated, net	<u>\$ 450,621</u>	<u>\$ (2,990)</u>	<u>\$ -</u>	<u>\$ 447,631</u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 7. Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2005.

Note Payable

Water Note Payable, non-interest bearing note payable to Community Development Board, payable in annual principal installments of \$1,750 through December 2012.	\$ 5,500
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Water Note Payable, non-interest bearing note payable to Drinking Water Board, payable in annual principal installments of \$2,000 through December 2009.	9,470
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Bonds Payable

Water Revenue Bond, Series 2003, bearing interest at 4%, due in annual principal and interest installments of \$19,322, maturing December 2017.	173,217
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Water Revenue Bond, Series 2004, bearing interest at 2.68% due in annual principal and interest installments of \$20,522, maturing December 2025.	<u>318,000</u>
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Total Long-Term Debt	506,187
Less: Current Portion	<u>14,000</u>
Net Long-Term Debt	<u><u>\$ 492,187</u></u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 7. Long-Term Debt, Continued

The following is a summary of changes in long-term debt for the year ended June 30, 2005

	Balance 6/30/2004	Additions	Retirements	Balance 6/30/2005	Current Portion
2003 Water Bonds	\$ 184,167	\$ -	\$ 10,950	\$ 173,217	\$ -
Note Payable	9,000	-	3,500	5,500	-
2004 Water Bonds	-	318,000	-	318,000	12,000
Note Payable	-	9,470	-	9,470	2,000
Total Long-Term Debt	<u>\$ 193,167</u>	<u>\$ 327,470</u>	<u>\$ 14,450</u>	<u>\$ 506,187</u>	<u>\$ 14,000</u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 7. Long-Term Debt, Continued

The annual requirements to amortize long-term debt outstanding as of June 30, 2004 are as follows:

Water Note Payable, Community Development

Fiscal Year Ended June 30	Principal	Interest	Total
2006	\$ -	\$ -	\$ -
2007	-	-	-
2008	-	-	-
2009	-	-	-
2010	250	-	250
2011-2015	5,250	-	5,250
	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 5,500</u>

Water Note Payable, Drinking Water Board

Fiscal Year Ended June 30	Principal	Interest	Total
2006	\$ 2,000	\$ -	\$ 2,000
2007	2,000	-	2,000
2008	2,000	-	2,000
2009	2,000	-	2,000
2010	1,470	-	1,470
	<u>\$ 9,470</u>	<u>\$ -</u>	<u>\$ 9,470</u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 7. Long-Term Debt, Continued

Water Revenue Bond, Series 2003

Fiscal Year Ended June 30	Principal	Interest	Total
2006	\$ -	\$ 7,385	\$ 7,385
2007	4,567	7,371	11,938
2008	12,440	6,882	19,322
2009	12,929	6,393	19,322
2010	13,475	5,847	19,322
2011-2015	76,073	20,537	96,610
2016-2018	53,733	4,456	58,189
	<u>\$ 173,217</u>	<u>\$ 58,871</u>	<u>\$ 232,088</u>

Water Revenue Bond, Series 2004

Fiscal Year Ended June 30	Principal	Interest	Total
2006	\$ 12,000	\$ 4,261	\$ 16,261
2007	12,322	8,201	20,523
2008	12,652	7,871	20,523
2009	12,991	7,532	20,523
2010	13,339	7,183	20,522
2011-2015	72,253	30,359	102,612
2016-2020	82,468	28,423	110,891
2021-2025	94,127	26,434	120,561
2026	5,848	157	6,005
	<u>\$ 318,000</u>	<u>\$ 120,421</u>	<u>\$ 438,421</u>

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 7. Long-Term Debt, Continued

Total Annual Requirements

Fiscal Year Ended June 30	Principal	Interest	Total
2006	\$ 14,000	\$ 11,646	\$ 25,646
2007	18,889	15,572	34,461
2008	27,092	14,753	41,845
2009	27,920	13,925	41,845
2010	28,534	13,030	41,564
2011-2015	153,576	50,896	204,472
2016-2020	136,201	32,879	169,080
2021-2025	94,127	26,434	120,561
2026	5,848	157	6,005
	<u>\$ 506,187</u>	<u>\$ 179,292</u>	<u>\$ 685,479</u>

NOTE 8. Reserved and Designated Fund Balances

Reserves and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2004, the Town of Kanarraville's reserved fund balances are as follows:

General Fund:	
Class C Roads	\$ 40,043
Cemetery	17,639
Total	<u>\$ 57,682</u>
Water Fund:	
Debt Reserves	\$ 6,364

TOWN OF KANARRAVILLE
Notes to the Financial Statements
June 30, 2005

NOTE 9. Defined Benefit Pension Plan

The Town has no full-time employees; thus, the Town does not participate in the Utah State-Wide Local Government Retirement Systems (Systems).

NOTE 10. Segment Information - Enterprise Fund

The Town maintains one enterprise fund (utility fund) which provides water utility and garbage collection services to its citizens. All activities in the fund are included in the proprietary column in the financial statements.

NOTE 11. Risk Management

The Town is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust.

KANARRAVILLE TOWN CORPORATION

P.O. Box 420148
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Ph. 435-867-1852 Fax 435-867-5592
kanarratown@rushisp.com

July 17, 2006

MacRay A. Curtis, CPA
Director, Local Government Division
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, UT. 84114-2310

Dear Mr. Curtis;

Pursuant to your letter of June 30, 2006 to the town of Kanarraville regarding the non-compliance of the town budget I have researched the problem and found the solution based on my findings. The numbers that went into our books and against which our decisions were made were inexplicably different than those which were sent to the state and our town auditors. Consequently when we were showing numbers that were under budget we continued to spend thinking we were not over budget and therefore no resolutions were necessary to amend the budget. With this in mind we have come up with the following solutions:

1. The numbers for the State Auditor and those entered into our books will be the same. The point person in charge of this will be David Ence/Town Clerk and he has meticulously entered the numbers for 2007 based on the budget sent to your office.

2. Every other month, a budget vs. actual report will be printed for each department head and they will base their spending on the remaining budget funds in their accounts. As the budget year nears completion, a report will be given each department head monthly. The following will give the list of Dept. Heads and their departments:

Barbara Munford:	Parks and Recreation
Kay Carter	Cemetery and Highways and Streets
Jess Prsbrey	Public Safety

David Ence/Town Clerk will oversee General Government and watch the numbers as they apply to the spending there.

3. If it is necessary that more money be allotted to a particular department during the year, the town will follow the procedures for amending the budget for a given year and pass a resolution making it so before any changes to the budget will occur. This will be watched very carefully toward the end of the budget year so that the proper steps can be taken well in advance of need.

4. As regards your office having received our financial statements so long after due date, the town clerk/David Ence will no longer assume that the town auditors have sent the report to the state and will do so himself immediately upon receipt in his office of the reports.

We apologize and look forward to hearing from you if these measures are sufficient to correct the problem.

Sincerely,

A handwritten signature in dark ink, appearing to be 'Galen Allred', written over a horizontal line.

Galen Allred/Mayor of Kanarraville